

Memo

To: Colleen Krajack, HR Analyst
From: Christine Croskey CIA, Internal Auditor
Date: October 10, 2022
Subject: Investigation into Timecard Fraud

Background

On September 29, 2022 Internal Audit (IA) was made aware of an investigation that was in process regarding possible violations of City and State employment policies/laws.

Micaela Martinez (Ms. Martinez) is currently employed with the City of Spokane (the City) as a Purchasing Specialist. On June 30, 2022 Ms. Martinez accepted a position as a Contract Specialist 3 with the Washington Health Authority (WHA) to begin on August 1, 2022. On July 7, 2022 Ms. Martinez reached out to WHA to confirm that they would be working for the City through July 29, 2022 and would then use vacation until that leave is exhausted at the end of September 2022. However, Ms. Martinez did not tender her resignation to the City of Spokane and took 14 hours of sick leave between August 1, 2022 and September 26, 2022 when she resigned her position with WHA. Ms. Martinez was placed on paid administrative leave beginning September 27, 2022.

Objectives of Investigation

The objectives of this investigation are to determine the following:

- 1) Whether the actions of Ms. Martinez resulted in a financial loss to the City
- 2) If a financial loss occurred, what is the value of the loss
- 3) Whether Ms. Martinez violated state ethics laws/regulations

Investigative Procedures Performed

- 1) Reviewed electronic communications (e-mails) to and from Ms. Martinez's City e-mail,
- 2) Reviewed City timesheet information entered by Ms. Martinez between August 1, 2022 and September 30, 2022,
- 3) Reviewed City payroll information between August 1, 2022 and September 30, 2022,
- 4) Made inquiries of Human Resources (HR) and management,
- 5) Reviewed Collective Bargaining Agreement (CBA) in effect during the period of activity.

Methodology

IA determined that the City does not have a policy permitting or prohibiting the use of vacation or sick leave once an employee has resigned, commonly called "vacationing out." Further, there are no limits set on the amount of leave time that may be used. It is up to the discretion of the supervisor or manager to allow this. Ms. Martinez's Supervisor stated that they had not had an employee resign and had not

been in a position to either authorize or deny the use of leave. In light of these facts, IA used the customary two weeks resignation notice period, expiring on July 29, 2022 in calculating potential losses the City may have sustained.

Results of Investigation

After conducting the above-mentioned procedures, and using the methodology described above, IA concludes the actions of Ms. Martinez did result in a financial loss to the City in the total amount of \$11,552.20¹. IA also concludes that Ms. Martinez may have violated portions of the Washington State Ethics Law (RCW 42.52). It is the understanding of IA that WHA is conducting their own investigation into the actions of Ms. Martinez and as a state agency is better suited to opine on this topic.

The financial losses incurred by the City are described in more detail below. These losses occurred between August 1, 2022 and September 23, 2022:

- 1) Ms. Martinez accrued 18.34 hours of vacation, 21 hours of sick leave, leave that they were not entitled to accrue. The value of this paid time off (PTO) is \$1,410.73.
- 2) Ms. Martinez received retirement contributions of \$1,207.05 that they were not entitled to receive.
- 3) Ms. Martinez received the benefit of health care premiums paid by the City of \$2,491.30 that they were not entitled to receive.
- 4) The City incurred \$180.78 in other employee benefit expenses during this time that would not have been incurred if Ms. Martinez was not employed by the City on and after August 1, 2022.
- 5) Ms. Martinez received \$6,262.34 in net compensation that they were not entitled to receive.

¹ The total financial loss amount may be greater. The scope of this report spans losses incurred between August 1, 2022 and September 23, 2022 and does not include amounts from the paid administrative leave.